“Gufic Biosciences Limited
Q4 FY2022 Earnings Conference Call”

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Management

1. Mr. Pranav J. Choksi – Chief Executive Officer & Whole Time Director
2. Mr. Devkinandan Roonghta - Chief Financial Officer
3. Mr. Avik Das - Investor Relations Team
4. Ms. Ami Shah - Company Secretary

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2022 Earnings Conference Call of Gufic Biosciences Limited. As a reminder, all participant lines will be in the listen only mode and anyone who wishes to ask a question may enter "*" and "1" on their touchtone phone. To remove yourself from the question queue please press "*" and "2". Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Ami Shah from Gufic Biosciences Limited. Thank you and over to you Madam!

Ami Shah: Thank you Diksha. Good evening everyone. I am Ami Shah – Company Secretary of Gufic Biosciences Limited and I welcome you all to Q4 FY2021-2022 Earning Conference Call. I have with me Mr. Pranav J. Choksi - Chief Executive Officer & Whole time Director; Mr. Devkinandan B. Roonghta - Chief Financial Officer and Mr. Avik Das from Investor Relations team to give the highlights of the business performance of the company and to clarify all the queries of the investors during the call. After the opening remarks from the senior management, operator will open the bridge for Q&A session, but before we proceed with the call please note some of the statements made in today's discussion maybe forward looking and are based on management's current expectation and this may be viewed in conjunction with risks and uncertainties involved in our business. The company assumes no responsibility to publish or update or amend, modify, revise any forward-looking statement based on any subsequent development, new information or futures or accept as required by the applicable laws in force. This call is being recorded and the playback shall be made available on our website shortly after the call. The transcript of this call will be submitted to the stock exchanges and be made available on our website. I will now hand over the call to Mr. Avik for his opening remarks. Thank you all. Over to you Avik!

Avik Das: Thank you so much Ami and a very good evening and thank you all for attending our call. We deeply appreciate your participation. I will provide a brief overview of the key developments in the past quarter and year. We ended the year as the fifth fastest growing company among the top 100 pharma companies in India. We have seen a strong and sustainable growth across all business verticals whether it was our domestic branded business, the CMO business, our export business or the API business and something good that happened is the growth was primarily driven by our non-COVID portfolio.

So to begin with, I will give you all an overview of the developments in the critical care division where we have launched Zarbot, which is the first Botulinum Toxin in India targeting cerebral palsy migraine and overactive bladder, so we have taken Botulinum Toxin range of products beyond the aesthetic dermatology into an absolute blue ocean where we are the first mover advantage with this product. Overall there has been a shift in our strategy where earlier we were mainly targeting secondary and tertiary care hospital, now we also started penetrating into primary care hospitals and nursing homes, which is a fragmented but a large and a fast growing

market. A clinical trial for D29 has progressed very well. This is a novel once a week anti-infective to be launched for the first time in India.

Now coming to ferticare division, the sales in this division has crossed our pre-COVID levels, we have also improved the technology for one of our flagship brands, which is Puregraf, which will help us increase traction and gain market share within this category and we are also exploring two new indications for an existing peptide molecule mainly targeting endometriosis and recurrent implantation failure. The results of studies and initial trials are very, very promising. Both these indications have a large unaddressed market in India. Within our healthcare and spark division, we have launched a new multivitamin formulation to augment our anyway well spread and well diversified product portfolio. Now coming to AESTHADERM division so post COVID-19, the cosmetic procedures have increased two-fold and we have seen similar traction in the AESTHADERM portfolio as well, this has been backed by improvement in doctor coverage and a very good acceptability by doctors and the fraternity in large and we are starting a center of excellence to impart training as well as to import novel innovative practices, equipment, and products in the field of hair and body aesthetics. This is to ensure there are adoption, expansion, and penetration of our Botulinum range of products at an affordable price point for the Indian market.

Now coming to stellar division, the division was launched last year and we are seeing good traction. We have launched one new product, Sallaki Max. It is a nutraceutical targeting arthritic pain. And a quick update on our international business, in the past year we have commenced exports to regulated markets for molecules such as Vancomycin, Clarithromycin, Teicoplanin and Tigecycline. In FY2022, we received five new product approvals from regulated markets and eight new product approvals from the semi regulated market and we have entered two new regulated markets of Brazil and Canada. In Q3 and Q4 we have very aggressively invested in a new biological technology platform. Our CEO will throw some light on it later in the call and now some very strategic developments had happened in Q4 was we have received permission to manufacture sell and distribute Sodium Sulfate API and the finished formulation which is Isoconazole for injection. This is an injection targeting patients above 18 years of age for treatment for invasive Aspergillosis and invasive Mucormycosis. Beyond this we have received the DCGI approval for Thymosin Alpha-1, Immunocin Alpha was a homegrown brand in this molecule, which is used as an add on therapy for treatment of moderate-to-severe COVID-19 patients who require ventilator support. Immunocin has significantly reduced the risk of death in phase three clinical trials in adult patients with moderate-to-severe COVID-19. We have also applied to DCGI for sepsis indication, which in itself is a large market. Another development in the past quarter was we forayed into cancer immunology by undertaking research, collaboration with Selvax which is a research company based in Australia and as a part of this initiative we will collaborate on development activities in return for exclusive commercial rights for the immunotherapy in India along with an equal share of revenues from Europe and Selvax goal is to

develop a very safe, effective immunological based treatment for a range of hard-to-treat solid tumours. We foresee tremendous synergy in this collaboration.

I will also give a quick update on the ongoing capex, so at Indore we are very happy to announce that our civil construction and site development work is in progress as per schedule and we anticipate that it will be completed within four months from now. The civil construction, all equipments have been selected and orders have been placed the dispatch schedule for all the equipment is as per plan. The R&D Center at the Indore city has become functional and we put together a team and product development work is also commenced. For the Indore facility, we expect commercialization by first quarter of next financial year. Now about the Penem block at Navsari, so a decision to move the Penem block to Navsari to reduce the time to market has turned out favorably for us, so we have completed the civil work there, the equipments have been received and installations nearly completed and we expect commercialization in Q2 of the current financial year itself. Now with this, I will hand over the call to our CFO, Mr. Roonghta to throw some light on the financials for the quarter and the year. Thank you so much.

Devkinandan Roonghta: Thank you Avik. Good evening to everybody. I am Mr. Devkinandan Roonghta, the CFO of the company. I will just highlight the financial performance of the company for the financial year 2022 versus 2021 and Q4 of 2022 versus Q4 of 2021. First, I am going to highlight the financial of financial year 2022 versus 2021. The total revenue of the company has increased from Rs.488 Crores to Rs.779 Crores if we compare both the financial year it has not been comparable because in the financial year 2021 because of COVID-19 therefore the country was under lockdown from the second week of March till mid of May 2020 and in the financial year 2022 because of the second wave of the COVID-19 there was a heavy demand of COVID-related drugs, so out of 779 Crores turnover this year around 170 Crores turnover is related to COVID. If I remove the COVID drug, the current year normal turnover should be around 610 and that is a natural growth of around 25%, but actually if you see the growth is looking like 487 to 779 it looks like 60% growth but normal growth is around 25%, 35% growth is because of the COVID-related drugs. EBITDA has been jumped from 87 Crores to 148.8 Crores that has been 70% jump because main contribution is also coming from COVID related drugs. EBITDA margin has also been jumped from 18% to 19.1%. Profit before tax has been jumped from 57.7 Crores to 126.8 Crores. PAT margin has also been improved from 11.8% to 16.3%. Income tax liability has increased from 13.5 Crores to 31 Crores. Profit after tax has increased from 42.2 Crores to 95.8 Crores that is increase of 117%. PAT margin has also improved from 9.1% to 12.3%. The cash generation from the operation before tax last year it was 98.5 Crores this year it was 137.50 Crores. If you see the financial highlights for Q4 of current financial year versus Q4 of financial year 2021, the turnover has been increased from 131.9 Crores to 162.2 Crores, there is a jump of 23%, here there was no COVID-related drugs in the Q4 FY2021 and as well as the Q4 FY2021 it is a normal jump. EBITDA margin has been increased from 24.4 Crores to 31.6 Crores; there is a jump of 29%. EBITDA margin has been improved from 18.5% to 19.5%, profit before tax has

been improved from 17 Crores to 26.2 Crores there is an increase of 54%. PAT margin has also increased from 12.9% to 16.1%. Profit after tax has been increased from 12.9 Crores to 20.3 Crores, PAT has increased from 9.8% to 12.5%. If we see the balance sheet there has been one noncurrent asset has been increased from 6.5 Crores to 35.3 Crores this is basically a capital advantage that has been given for our Indore project around 30 Crores and in cash flow also we have incurred around Rs.88 Crores on the capex program for the Indore as well as Navsari. In Indore we have incurred around capex expenses around 54 Crores, Navsari we have incurred capex expenses of around 20Crores and around 4 Crores we have incurred on account of implementing of SAP as well as purchasing of SAP in hardware as well as software development. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. We take the first question from the line of Rajat from ithought. Please go ahead.

Rajat: Just wanted to check the market opportunity that we see for some of the products that we have gotten approval recently that we talked about as well as D29 which is in pipeline and what is the competition basically?

Pranav Choksi: Just to understand your question properly, you have asked me that the current approval which we have got in the last quarter, what is their market size estimate and you also have asked me what is the competition against them is that right understanding?

Rajat: absolutely. If you can also talk about D29 in the pipeline?

Pranav Choksi: I will first answer your question. So Isoconazole was of course, if you follow the last few quarters we have been talking about the approval, which we finally got in the last quarter of 2022. Right now specifically as Avik said we have got the permission of API as well as the injection, right now there are two potential of the product one is of course the domestic market and one is the international market. The domestic market has its own market size of $6 million specifically related to the molecule Isoconazole where there is only one innovator that is of course Pfizer which is there in the market, we foresee that this product is also going to be working against other molecules having a similar therapeutic profile like Posaconazole amphotericin based molecules and also use in combination with Echinocandins so if I combine all that market up of course it goes beyond 230 Crores, but like I said when we talk about we have got the permission right now only of injection, we are expecting the oral permission also to be received in the next I think maybe the third quarter or fourth quarter and will be a good basket for us to take it forward. In terms of the international market, this also has a bigger traction because apart from the mucormycosis and the black fungus which was a big issue post COVID itself is a market which is intrinsic which will help us to unlock the value, so being the first I would say generic in India gives us the good opportunity to take a good market share not only of the direct $6 million market but also the other market where the price was an issue and we could

not take it up. Internationally we have a little bit bigger ambitions because this molecule is the drug of choice because it has oral option along with the injectable one, which is normally for hospital therapy, once the patient is discharged, there is a good option where the actual oral tablets goes for a longer period of time and that is where we can see a big attraction in terms of the sales. Answering your question about Thymosin Alpha, which we got approval in COVID we do not foresee much traction in sales in India for COVID, but it clearly shows that the beauty of the molecules approval is that even moderate to severe, they are very limited, almost no products approved in India whereas this is the only product where we have seen the death ratio and the death percentage really being amplified where the drug was really a drug of choice and we have seen a lot of lives have been saved. The more interesting part would be sepsis management because when you see the therapeutic profile of a patient going COVID, I am talking about a moderate to severe patient and then you see a severe patient who has sometimes also goes for sepsis, this is again a combination of the immunity of the patient along with environmental factors and we foresee that sepsis is a big market via which we are of course apply to DCGI once again, we want to do a separate clinical trial on sepsis patient which we have applied in the last quarter and that data once it gets out and of course once we get the study out and once we get all that, we see a higher traction because there are almost a million patients suffering from sepsis in India itself and if the protocol is validated and it has shown as what we proposed, then we can take the product internationally and sepsis is a huge market if you want to know, I do not have international numbers in terms of patients so international numbers in terms of I would say U.S. dollars as of now, but I will be more than happy to see what we can get from our medical and regulatory team and pass it on to you. A D29 like I said it is sort of upgrade to the existing therapy of Vancomycin, Linezolid and Teicoplanin, so again there is no innovator in India for D29 we will be the first company to launch D29 in India and at least what I foresee things we are backward integrated in terms of API, we will be having a limited, no competition at least for the first year in India. Going forward we have aspirations from our Indore factory to take this D29 to the European and the US market where this product is already approved, the innovator is already there. The start of the sales might be slow in India, but the international market will be much bigger so we foresee that with the ease of administration where it is once in one week and maximum maybe the second dose in five days if needed. A lot of outpatients which normally get treated in US for certain indications or in Europe, this is the drug of choice as compared to the conventional ones, so let us hope so that is what we have expectations of these three candidates. There are other products in the pipeline, but if I go it will be quite long so I will restrict my talk here and then if anything we will get back to the pipeline later on.

Rajat: Sure also if you can talk about the market opportunity again for the alternate uses of Botulinum Toxin that we have launched and we will be selling those?

Pranav Choksi: So as you must be following the company we launched the Stunnox brand in February 2021 which was mostly related to the facial aesthetics and we were very keen I think to launch the

Zarbot brand which is our medical I would say related to medical users and specially for neurological uses apart from other uses in pain also. This indication there are more than I think 600 indications where there have been papers published. Of course there have been few indications where the actual approval has been done, so I will restrict my call in terms of approved indications only, but what we foresee that a lot of doctors in India have of course the neurological doctors are much more advanced and they already have been trained, they are aware about it, but there is still a good lacuna in terms of the ratio of the doctors to actually the patients so with the center of excellence what Avik spoke about we are trying to create a training center where around I think all those 30 odd, approved indication which we have selected it might be hyperhidrosis, might be migraine, it might be cerebral palsy, and so on whatever, we are trying to actually impart training to a set of doctors who are interested in increasing their I would say foray into this particular indication plus we have our own in-house medical team. We have taken a very senior I would say medical professional from the industry as well having MBBS and who has worked in of course in MNCs in the same product lineup, who is going to run this center of excellence and there will be at least batches of 20 to 30 doctors every month trained itself in Mumbai and if the model is successful by Q2 or Q3 we are planning to open similar centers in Delhi, in Bengaluru as well as Hyderabad, then followed by Ahmedabad and let us see how we go. So because like I said in all my earlier calls, training, imparting and I would say not educating the doctors, doctors are much more aware and much more educated then, but getting the right training in terms of the application and the dosage is something which we are very, picky on and we want to pass this on to the right medical practitioners and the professionals who can help us to expand the market further.

Rajat: How big do you think these products can become over the next 3-4 years?

Pranav Choksi: Very, very difficult question. I will just tell you; the entire international market is $8 billion U.S. whatever I see data online, the US markets itself is $5 billion U.S. The population of US who can actually afford it and forget facial aesthetic is not covered by insurance, but the medical is covered by insurance, but I mean this is assumption what we have as per market data that two points am I using the right terminology. I am using Indian numbers like please excuse me because 28 Crores out of the 40 Crores population in US are the population which can afford Botulinum Toxin, in India we have 130 Crores population if I assume only 28 Crores can afford it the market is endless, so I am not saying that the market can be a billion or 5 billion or anything I am not saying all that, but if we see the penetration and we see the amount of users, even if we sell one eighth of the vial, which are sold in US or one tenth of the vials are sold in US in the same population in India I am saying the affording population in India that is 28 Crores to 28 Crores if we look at minimum of 1200 to 1500 Crores market just for this, but of course it is not so easy as it said it has to be a good amount of insert, getting the right people on it, creating an awareness that a lot of patients in India do not know that there is an option available with the Botulinum Toxin of course along with other drugs which can be used in combination to serve the

people in certain medical conditions, which right now just people are living in or are suffering silently. So let us hope this is what we end to target to do.

Rajat: Sure. Thank you so much. I will come back in the queue.

Moderator: Thank you. We take the next question from the line of Chetan Phalke from Alpha Invesco. Please go ahead.

Chetan Phalke: Can you just throw some light on for R&D expenditure going forward over the next two, three years, what is the budgeting that we foresee in terms of percentage of sales or in absolute amount and what is our R&D spent for FY2022?

Pranav Choksi: Thank you Chetan. I think the R&D spend answer will be related by Roonghta Sir because mostly we normally do as a proportion of the cash flow rather than the sales or something so Roonghta Sir can you take this question?

Devkinandan Roonghta: Thank you Sir. Generally depending upon the financial condition of the company, we always plan minimum 8% to 12% of R&D expenses, in case of a cash flow is tight then minimum 8% we are spending on our R&D, if cash flow is permitting us we can go up to 12% or sometimes we cross 12% also, but our target is at least to maintain 8% minimum R&D expenses so that the development will not be stopped and we will always be putting money for new product development, new segment development and another, also a lot of spending on the new trials also, so you can just get whatever the turnover is there, average we can say that over a 3-4 years the average expenditure will be around 10% of the turnover.

Chetan Phalke: Thank you and what is the number for FY2022?

Devkinandan Roonghta: As for FY2022 if you can see the sales target of this year was 788, I can say out of 790 170 was related to COVID related drugs, the actual sales is around 610. We say there will be minimum 15% to 20% growth so you can say around 750 minimum we are expecting 750 and something goes good it can touch to 800 or so.

Pranav Choksi: I think he is asking about the R&D spend for the current year.

Devkinandan Roonghta: For the current year 2021-2022?

Pranav Choksi: Yes.

Devkinandan Roonghta: 2021-2022 we spent around Rs.65 Crores on R&D expenses.

Moderator: Thank you. We take the next question from the line of Mr. Aman from Astute Investment Management. Please go ahead.

Aman: My first clarification on the numbers which you have shown in the presentation, because the numbers are not mentioned actually if we look at the segmental breakup in terms of domestic formulations and API and all those things so if you can just talk about the current domestic and export mix for FY2022 and then what was the growth in our international CMO if you can talk about those things and if you can break this CMO into domestic and international CMO?

Pranav Choksi: Sure Aman answering your first question as I said in the last year also in the quarter normally around 50% to 55% of our revenue comes from the domestic business that is our domestic branded formulations, around export which was at one time of 15% has gradually moved to 22% to 25% let us say on an average it will be still around 20% to 22%. CMO business was affected somehow in the first I would say six months of our thing when I mean CMO business THE non-COVID portfolio CMO business was definitely affected in the first six months and a lot of capacities were blocked for our own domestic Thymosin Alpha as well as Remdisivir for our clients as well as liposomal amphotericin B for Mucormycosis so I would not use this year's capacity to give you numbers, but if I compare may be 2019-2020 numbers with now numbers we have seen a CMO market also grow by around below 20%-22% when I take like-to-like comparison ignoring the COVID portfolio out of it so just to give you a little bit more light on the CMO we have expanded our capacity pre-COVID on March 2020 with some lyophilization and again in March 2022 again we had some small expansion coming up for not only replacement but an injection of capacity of lyophilization, so this all and we will play a role in the growth of the CMO business also going forward which is an important part of us. To bifurcate into domestic and I would say international business, the domestic business because of some products which were life saving and related to COVID, we saw a good traction of jump of COVID-related CMO in the first half, in the non-COVID CMO like I said we could not supply those products so we have seen from degrowth in that which of course we hope to compensate. We had to actually say no to certain clients which we are now in the last three months trying to get back because they were part of the core business who has evolved in the last decade and especially about infertility, I am talking about certain cardiac products, I am talking about parenteral products and I am talking about some other products which we have at legacy going forward and also new pipeline being added here. For example when the Isoconazole product is added apart from Gufic we are helping three of our clients launch it also in the first month itself and then also offered it to others in the time to come. There are other new drug delivery systems which are coming up which also we will be offering to other clients, so the advantage of the CMO always will become an important pillar of our company going forward and there it will be a larger traction. International business the CMO business support again because of the capacity occupied but we have seen a good jump in the last three months from January to March and we will see a further good jump in times to come because like I think we announced also we got a

UK approval we got other approval, so apart from our own sale there because of the capacity being free now the international CMO also should see a positive turn in the coming year.

Moderator: Thank you. The next question is from the line of Maitri Parikh from Pi Square Investments. Please go ahead.

Maitri Parikh: I was asking about the capex breakup which you mentioned in the opening remarks?

Pranav Choksi: I will give it to Roonghta Sir and I think he will be in better position to answer. Amy they want the capex breakup what Roonghta Sir gave in the opening remark about Indore and Navsari and about the total year?

Devkinandan Roonghta: We are running a total capex of around 220 Crores for Indore plant out of 220 Crores 60 Crores has been already spent up to March 2022 and remaining balance 160 Crores we are expecting to be incurred in the next financial year against which we are expecting internal accrual and for remaining amount we are going to take a certain bank loan on a long-term basis. Around 25 Crores we have spent in Navsari plant for our Penem as well as dual chamber and increasing in lyophilization capacity. Around 3 Crores to 4 Crores we have spent on the capex for our SAP implementation plus hardware for our IT department that is the basic breakup out of 220 Crores I can say Indore plant 20 Crores we are spending for R&D facility and 200 Crores for lyophilization facility including construction and land cost.

Maitri Parikh: Okay. That was helpful. Thank you.

Moderator: Thank you. We take the next question from the line of Ayush Agarwal from Mittal Analytics. Please go ahead.

Ayush Agarwal: Thank you for the opportunity Sir and congratulations for a good set of numbers. My first question is on our R&D spent which our CFO mentioned that was around 65 Crores so in the annual report past annual reports we do not see that the number is as high so if you can help us understand where do we and how do we spend this 65 Crores and what was that number in the year earlier?

Pranav Choksi: So Ayush first of all, yes, this year, definitely we have spent a little bit more because also apart from a positive cash flow coming in we had certain amount earmarked, since we got that little bit excess I would say inflow coming in we had kept some projects on hold which we were very keen to execute. I think when Avik spoke about in his opening remarks there are certain biological I would say pipeline investments, which we have done specifically in the last two quarters, which is related to the new biological pipeline which we are hoping to get into, which is again a very novel IT protected as whereas we did it platform which can be a platform technology for many of our future products to come so since we saw a good traction happening

and if you see the numbers of the company in the last three to four years also we have whenever we get an opportunity to spend in R&D in terms of either a generic pipeline expansion or a new product introduction in India or even for that matter when I talk about R&D sometimes you also talk about certain products which we specifically develop for certain international markets in terms of the for their marketing authorization and going forward. This year the highlight has been I would see the biological pipeline expenditure which has been on the tune of around almost 12 to 14 Crores out of the 65 Crores and that again will continue in the next two years because we foresee that will be another additional I would say weapon in arsenal in terms of certain prevention of certain diseases in the future, so that is something very interesting. If you see Botulinum Toxin also was something which was done around three to four years ago, which eventually we started getting the traction in year 2021 and now eventually in 2022, so the percentage like Mr. Roonghta said has been around 8% to 10% this year we have gone, again keeping in mind what Roonghta said 65 is the pure R&D spend, additional amount was also spent in the dossier creation, the regulatory and the clinical trial cost which is apart from that which also will make the amount go much higher.

Ayush Agarwal: So what constitutes the 65 Crores in terms of salary or equipment or other and give a breakup of that and that will be really helpful?

Pranav Choksi: I do not have the breakup, but I will just tell you what was it comprises of, of course it comprises of the salary, it comprises of certain specific tests, it comprises of certain maybe unique equipments required to maybe do certain I would say reactions or certain biological amplification or certain I would say processes and of course it takes care also some part of intellectual property which we pay to our in licensed companies where we get certain basic technology from, so getting a cell line, so when we do a biological process there around four sort of steps, we sometimes good in two or three steps and we outsource the other steps from a company who is an expertise or maybe has a core competency in that particular but it also takes care of certain tech transfer fees or the process transfer fees also.

Ayush Agarwal: That was helpful. Thank you.

Moderator: Thank you. We take the next question from the line of Alisha from Envision Capital. Please go ahead.

Alisha: Thank you for taking my question. I just wanted to understand that while we know in Q1 there was benefit of the COVID-related drugs, but last three quarters the run rate has been consistently declining, but the gross margins have been expanding so one is what is sustainable gross margin and two is the Q-on-Q decline in sales that we are witnessing since the last two to three quarters?

Pranav Choksi: So I think I will answer your sales decline question and I will request Roonghta Sir to comment on the gross margin question. So answering your question first of the sales decline, as you rightly

said the first quarter was more about the COVID drugs, the second quarter was a combination of COVID and black fungus mucormycosis drug and the third quarter, of course we had returns which were in terms of inventory buildup, which was for the first two quarters, the fourth quarter if you see historically also in terms of our or maybe the pharma industry or post of March 15, 2022 the purchase at the stockist level or at the trade level just goes off plus of course apart from that, there is a very specific thing also, if you see a lot of inventory buildup is also have been happened in the market for certain sectors especially I would like to tell you critical care and maybe to some extent I would say these institution businesses which anyways not a very big component of our company but critical care we have seen a huge inventory pileup in the market in especially, which took time in the third and fourth quarter go up. It is still simmering off and that is what we mentioned in our opening remarks that it will still take time till Q2 for the critical care market I would say inventory to go down and hence I think if we see the last two quarters also the main division which has been pumping in the growth is of course exports it is also infertility. The CMO market also in the last two quarters went down again because of the inventory filled up because lot of products were preponed, but since the first quarter was 250 we all feel 160 and all that is the number, but as Roonghta Sir clearly explained that from 487 if our revenue without COVID would still be around 610 or 620 and that is where we feel that run rate should be in the right way, of course we feel other things will start kicking in along with tenants from the next from the second quarter and we hope so we can achieve our target as what we have thought about. In terms of the gross margins I will hand it over to Roonghta Sir I think he will be much better to answer that question.

Devkinandan Roonghta: The financial year 2021 the gross margin was around 48.5%, the current year the gross margin has been around 46.5%. There was a reduction in 2% in the gross margin that is basically during the COVID through certain drugs has been returned in the Q3 and Q2 of the current financial layer which do not have any future market so we have to write off that drugs inventory which was related to COVID in the books of account, therefore there has been reduction in the gross margin around 1.5% and 1.6%, but if you see EBITDA of the company has been improved from 18% to 19.5% and the profit before tax has been also improved from 11.8% to 16.3% and PAT margin has also been improved from 9.1% to 12.4%. Overall the performance has been very good compared to the financial year 2021 versus 2022. The gross margin I already said because of the COVID-related drugs which was not able to have market after September 2021 that inventory has been write off in the books of account, therefore the gross margin has been reduced, but overall the performance of the company has been improved.

Alisha: But Sir in Q4 the gross margin is almost 55%-56%?

Pranav Choksi: Yes, Madam the reason because the writing off has been happened in Q2-Q3 what you see now is more of I would say the actual margin because as I said the domestic business is picking up, infertility products are picking up, critical care is somewhere where we see the margins little bit

affected plus of course the exports has come back to normal and exports and our own domestic sales is somewhere where the margins improvement happen because again it is all about amortization and we have improved so there has been an impact of Chinese impact on the RM & PM and all that also, but somewhere because of our own I would say domestic base and because of the exports and also because of the rupee thing to some extent in the last quarter more also you will see in the first quarter this year, but there has been overall improvement in the margin going up.

Moderator: Thank you. We take the next question from the line of Mr. Bhavya Sonawala from Prime Asset Source. Please go ahead.

Bhavya Sonawala: Thank you so much Sir for the opportunity. I just have one question so there is a lot of competition in the criticare segment and we have managed to make that area within us, so just wanted to understand what is letting us compete and what can you attribute this growth?

Pranav Choksi: Thank you. So if you see what we have done we have seen the entire Indian market is 181000 Crores that is as per GM of course I am quoting their number, this plus or minus depending on what is the last month separate. We have selected around market of around 36000 Crores to 38000 Crores only in critical care out of that 36000 to 38000 Crores we have right now products of only around 14000 to 15000 Crores. We foresee in the next two to three years this natural erosion of margins always happens and that is why the pipeline and the new product launch is very important to us so we foresee that with the help of economies of scale the erosion wave will be ridden much better by the company. Secondly since we will have a pipeline coming in we will always see that margin getting compensated with the new launches coming up plus in the next three months when we announce certain new drug delivery options also we will see some improvement happening by which we can see that we always offer the trade and the critical care trade specifically something unique and something always big and the moment that unique thing becomes generic or there competition comes in we have some other offering which comes and reestablishes I would say presence in front of them, so gradually what we feel from this 12000 to 14000 Crores we want to start a product pipeline to all the way to 36000 Crores where the tenants will help of course then of course certain other I would say unique neurological then also anesthetic and other offerings will help so basically we are looking at an ICU setup and what all products are required and then eventually use our presence in the form of trade and penetration. In terms of the current logistic channel what we have to ensure that the basket keeps on expanding either via further generics or either via innovative products or either via new delivery systems, which ensures that we keep this on. Also because of the economies of scale of India and exports our efficiency in purchase is our strength and really even we are EU approved facility and sometimes we compete with companies in India who are basically highly even just about WHO GMP or just basically have GMP, but still with the same quality as international markets we are still be able to compete with them at the prices because of this efficiency and the economies of

scale and that helps us to improve because of sourcing efficiency we still are a force to reckon with. So that way I feel that yes we can still survive and expand on the critical place and we have seen a lot of people grow tired of this critical care also because they do not have the pipeline or they do not have nothing new to offer and then they just get decimated in this price war and the erosion of margins and that is where our pipeline and our R&D team and other sourcing team and regular team keeps us moving on and on.

Moderator: Thank you. We take the next question from the line of Shweta Jain. Please go ahead.

Shweta Jain: Thank you for giving this opportunity. Sir my question is what I understand in the previous participants answered I think you had mentioned that we can expect 25% growth in the topline and the current gross margins are the normal margin so I just want to understand is this correct especially if we are expecting the Indore and Penem block to come up this year and by Q2 of next year so what kind of revenue are we expecting from these two blocks to add to our normal growth of 25% and is this 56% gross margin sustainable and also if you could help us understand the current utilization of our plant currently what we are at and for the CMO do we have any order book for the CMO business?

Pranav Choksi: So answering your first question, no, we did not say that we will be continuing at 25%, 25% is our organic growth last year, which Roonghta clarified that from 487 if we consider our organic growth without COVID related products and it was 25% when we already asked all ourselves always say that our estimate is 15% to 20% year-over-year that is what we foresee, in this year I do not see Indore contributing to the topline as of now because as Avik has mentioned in his opening remarks that we look at March 2023 is when the plant will be ready and April to June 2023 when the venue will be captured for Indore, this year, yes, I agree that, Penem will be something which will be taking it up as a part of our I would say additional in terms of products offering and that is where taking care of all this still we feel around 15% to 20% bare minimum is something which we target over known COVID sales so assuming 610 or 620 as a pace 15% to 20% is what we foresee for the next year. Gross margins is something as we improve and launch new products and improve the product lineup and again we improve in some terms of efficiency sometimes going forward we will see the gross margins at least improve our percentage over when I say a percentage or average percent of the year because in a year there might be price rises sometimes RM price shoots up and it does not give us enough time for us to implement that price in the market we have to take permission of MPP and all that so when I consider the average percentage year-over-year we have a target of improvement of at least 1% gross margin year-over-year again because of the pipeline, because of the new regulatory systems, because of efficiency and so on and so forth and so that was the question right anything else to be answered?

Shweta Jain: So basically you are saying that this 56% on the quarterly basis that we have the gross margin that is not sustainable right?

Pranav Choksi: Madam, it is very difficult for me to say that again I am saying because the product mix is so dynamic right now in terms of the sourcing from China and even the other utility and the oil prices and I think it is all adding up to the RM and PM also so I will only hope for improvement because if I see there are so many SKUs of us and so many things, it is very difficult for me to give a percentage there, but what we are working on as a company percentage improvement or gross margins year-over-year again tomorrow you do not tell me you made it 60 why did you make it 60, we will try, I cannot promise because everything is very dynamic right now.

Shweta Jain: You did not answer my question on the plant utilization and the order book for?

Pranav Choksi: It is around 70% in lyophilization right now which should pick up, so it is 70% there, otherwise overall I think we are around 70%.

Shweta Jain: Okay and Sir any order book for the CMO?

Pranav Choksi: We do, but we cannot share that number with you Madam.

Shweta Jain: Okay thank you.

Moderator: Thank you. The next question is from the line of Arpit Agarwal from Electrum Capital. Please go ahead.

Arpit Agarwal: Sir couple of things, one is obviously you are doing a lot of products on our R&D and working on different products and I just want to understand a little more high level question that if you see over three years what will be the key growth drivers for the company, which products you think or which will clearly drive the growth and take the company to the next level so that is something which is because we have so many divisions, so many new product pipelines as a CEO what do you think will be the key products which will scale up and second is on the Stunnox it has been like about more than 1-1/2 years since you have launched, so if you can give us some sense on the numbers, are we seeing some traction because we also understand that the market size is too large, but obviously in India it is very small and you being a technically a domestic leader, one of the first companies to launch it you probably have to create the market so what are the efforts going on that side?

Pranav Choksi: So answering your first question, like I mentioned is we have our pure legacy pharma business and legacy is something which we have created in the last 10 years and that is something as a main strong point where our business is of course domestic, export CMO and of course the API that business in terms of the new product pipeline for anti-infectives, infertility, cardiac like I mentioned, we are expanding it to now anesthetic, we are expanding it to neuropsychiatry and it is not neuropsychiatry I would say only neurological for that matter and then two parental nutrition is something we are going forward where we feel the existing road should come in

terms of how we can also take it up to international market also via Indore in addition to Navsari. Biological is something which was very close to my heart, specifically because I am basically a B. Pharm and M. Sc in Biotech and we started the journey with Botulinum Toxin. Me along with Dr. Balram Singh, who is of course our strong driver and the strong I would say the main fulcrum of our biological division going forward have always had certain ideas which we wanted to work on but not at the cost of the main company, because the main company has its own trajectory growth and we are very confident about that and sometimes biologicals can become a gamble at the end of the day. But we always have felt that getting into a certain biological where the proof of concept comes to a particular stage so there might be some projects which we might have been working for the last five years or something we might have just worked on the last one and a half year because of the COVID and then we have seen some positive results coming in and those are the proof of concept approved projects which we are now taking it forward in a much more I would say organized way and amplified way in last year and of course in these two years to come and we feel again when I say Botulinum Toxin becomes a part of it because there we have drug delivery systems coming up Botulinum Toxin, a new variant coming up Botulinum Toxin and along with that we are coming up with some oral platform technologies for certain products coming forward so as and when again I am allowed to give more and more information I will be more than happy and excited to share that with you, but as of now we feel the existing generic pharma along with new development in pipeline and drug delivery system will be our focus growth. Indore of course will play a big role because of the market access of US what we are hoping. Again starting as a CMO there and eventually seeing if anything of I think because we still feel we are very small and we do not want to take that risk of having our own ANDA and all that but we have a lot of people showing interest in our product line up and hence that Indore is getting, but also at the same time we feel that the capacity of Navsari will be stretched in this year or maybe maximum by next year that is why Indore it has to be there and coming to your second question Stunnox and Zarbot for that matter, as I mentioned earlier, also we have to invest a lot in training of people a lot of people want to train it, but it is like one teaspoon of this toxin can kill the world so it is not so easy to handle it and a lot of people are scared of that, so a lot of effort of us has been going in training and developing people. Right now what we say we are just taking some existing market share, but eventually if you ask me a real vision is to actually create a bigger market keeping in mind the population and the opportunity base, which is in front of us so we have grown month-over-month by at least 20%, but the base is so small that you know it is not something that I am saying it is making a big difference in the total revenue of Gufic but growing month-over-month of any product in the last 10 years I have been in Gufic I have not seen that, but maybe we start with hundred maybe we must have gone in a much bigger way so that gives us a lot of confidence and now with Zarbot and Stunnox was being promoted by only 28 people last year, now we have Zarbot, which is almost promoted by 150 people and that we feel that and also the amount of use per patient of Zarbot is much higher than something used for a facial aesthetic for any other matter so in combined way of Stunnox and Zarbot we feel a higher traction this year so we expect what we did last year we should be four times doing that this year

and hopefully we should be doing 10 times that of last year in next year this is the level of amplification we are seeing in the Botulinum Toxin business so that is how I can answer that.

Moderator: Thank you. We take the next question from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Actually, I just wanted to ask from long term vision, when can we expect in FY2025 to reach 1000 Crores and how much revenue can we expect from Indore facility in the first or second year that would be very helpful to know?

Pranav Choksi: Again, I feel I hope I reach 1000 Crores as soon as possible I do not know if it will be in 24 or 25 or 26, but keeping in mind our internal target I would say as we say 15% to 20% is what we plan of going on I think yes 25 maybe not, but maybe 26 or something looks possible again. We do not know how everything will kick in. Indore also we are living in a very dynamic time right now also with a lot of uncertainty happening of certain things in terms of supply, utilities and all that still we have managed them. We have ensured that Indore is on track. We started the construction in December 2021 and I think getting it done by March 2020 will be good so I hope Indore can help us contributing in a more substantial way in the year 2024-2025, which might help us to reach 1000 by then but again it is depends on a lot of factors. I just like to say that Indore is approximately 1.5 times the capacity of Gufic plus around two more additional product lines of ampoules in terms of I would say suspensions also and along with that eye drop so the revenue capability of Indore is much higher because of the capacity and maybe you can just do your internal math, but right now go Gufic whatever it is, what you see is as per the Navsari facility but Indore coming up definitely it has its own traction of at least 1.5 times assuming that we get those business and we penetrate the market as soon as possible, but there will be definitely an erosion coming in and we have already factored that in our approach going forward.

Moderator: Thank you. Due to time constraint I would now like to hand the conference over to Ms. Ami Shah from Gufic Biosciences Limited for closing comments.

Ami Shah: Thank you everyone for joining this call. I hope all your questions are satisfactory answered by us and in case if there are any further questions that have remained unanswered today you can reach out to us or to Mr. Deven Dhruva from SGA Investor Relations partner. The contact details are already provided on the last slide of the presentation uploaded on the website of the stock exchange and also on the website of the company. Thank you so much. Please stay safe and take care.

Moderator: Thank you. On behalf of Gufic Biosciences Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.